



**United States Department of the Interior
Bureau of Land Management
Bakersfield Field Office
3801 Pegasus Drive
Bakersfield, California 93308-6837
www.ca.blm.gov/bakersfield**



Dear Valued Stakeholder:

E&B Natural Resources Management Corp. (E&B) has submitted one (1) Application for Permit to Drill (APD) that proposes the drilling of one (1) new well: Schlaudeman #354-23 on their federal lease on Bureau of Land Management (BLM) managed lands located in Section 23, T. 11 N., R. 28W., SBBM. The project location is San Luis Obispo, CA within the Carrizo Plain National Monument (CPNM), as well as within the existing Russell Ranch Oil Field. E&B proposes the use of an existing well pad location for the drilling of the new well.

The purpose of the proposed action is to provide E&B with the ability to drill one (1) new oil well and associated production facilities to continue production on their federal mineral lease, and to supply energy resources to the American public. The need for the proposed action is to respond to the APD submitted by the proponent to conduct operations on public lands administered by the BLM Bakersfield Field Office.

E&B operates producing oil wells and petroleum production facilities on both private and public lands within the Russell Ranch Oil Field since 2003. This project is proposed on an existing valid federal mineral lease that was established in 1948 and has been held by production since 1949. The proposed drill site is located on BLM surface with an existing pad location for existing well RRU-77-23. Records indicate that the well pad was constructed prior to 1950 for well RRU-77-23. A total of 5 wells have been drilled on this lease from 5 separate locations including 1 active well, 1 shut in well, and 3 abandoned wells. This action conforms and is within the scope of the Carrizo Plain National Monument Resource Management Plan signed April 10, 2010. All stipulations and standard operating procedures will be followed as set for in this plan.

The proposed action, APD, and map of the site have been posted on our website at <http://www.blm.gov/ca/st/en/fo/bakersfield/Programs/carrizo.html>. There will be a 15-day comment period on the proposed action. Please submit comments by mail or email to the attention of Natural Resource Specialist John Hodge- jhodge@blm.gov no later than November 30, 2011. If you should have, any additional questions please feel free to contact me at (661) 391-6005.

Sincerely,

Timothy Z. Smith
Field Office Manager

**United States
Department of the Interior
Bureau of Land Management
Bakersfield Field Office
Proposed Action**

**Application for Permit to Drill
DOI-BLM-CA-C060-2012-0040**

INTRODUCTION

E&B Natural Resources Management Corp. (E&B) has submitted one (1) Application for Permit to Drill (APD) that proposes the drilling of one (1) new well: Schlaudeman #354-23 on their federal lease on Bureau of Land Management (BLM) managed lands located in Section 23, T. 11 N., R. 28W., SBBM. The project location is San Luis Obispo, CA within the Carrizo Plain National Monument (CPNM), as well as within the existing Russell Ranch Oil Field. E&B proposes the use of an existing well pad location for the drilling of the new well.

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ALTERNATIVE 1: PROPOSED ACTION

E&B submitted an APD for the drilling of one new well: Schlaudeman #354-23. The existing pad for well RRU-77-23 will be used for drilling operations for this new well. The pad proposed is actively maintained and of sufficient size to accommodate all equipment and vehicles required for drilling without additional construction. Existing roads will be used for access the pad location and will be maintained in the same or better condition in accordance with BLM standards. No new roads will be constructed or reconstructed with this project.

For drilling operations the drill rig will be set up on the existing pad and associated tanks, and equipment will be housed on the pad location. Vehicle parking will be on the pad location or at a nearby pad so no disturbance to vegetation will occur. As proposed fresh water for drilling will be supplied by produced lease water. Water will be temporarily piped to the location if possible, or hauled to the location by vacuum trucks. A temporary above ground tank will be used instead of a sump to collect drill cuttings. Drilling wastes will be collected in a rollaway container. They will remain in the container and solidified using Soli-Bond or similar technology and hauled to an appropriate disposal facility. Other solid wastes

will be collected in a trash trailer near the wellsite and serviced when needed. Portable toilets will be provided and serviced by the drilling contractor.

E&B proposes to perform hydrostatic testing to the existing buried oil production flowline for well RRU-77-23. If the production flowline passes then it will be used to carry oil to the existing Main Tank Farm. If the production pipeline does not pass hydrostatic testing then E&B proposes to install a new pipeline above ground along the same route as the existing flowline. Pipe would be pushed from the pad location to ensure that no new disturbance is associated with the installation of the pipeline. It would then tie into the existing groupline that is located at well #RRU-78-23. The total distance of the replacement production pipeline would be 0.12 miles.

Subsequent to drilling and well completion, all drilling equipment will be removed. When the well is abandoned, all well facilities will be removed and the surface restored as nearly as practical to its natural state.

ALTERNATIVE 2: NO ACTION

Under this alternative, BLM would not approve the one APD for new well: Schlaudeman #354-23 submitted by E&B. By denying the applications, the federal lessee/operator would be denied the opportunity or right to develop and produce the federal mineral estate.

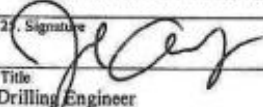
ALTERNATIVE 3:

This alternative would be the same as the proposed action for use of the existing pad and pad access as well as for the proposed drill operations and site reclamation. In this alternative BLM would require that if the existing oil production flowline does not pass hydrostatic testing that the replacement flowline be buried in the existing roadway from the well pad and tie into the group line near well Schlaudeman #78-23. This alternative would address any potential environmental resource issues that would arise from a visible above ground pipeline within the CPNM. The total distance of the replacement production pipeline would be 0.77 miles.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires: July 31, 2010

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit of CA/Agreement, Name and No.	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple		8. Lease Name and Well No. Shlaudeman 354-23	
2. Name Of Operator E&B Natural Resources Management Corp.		9. API Well No. 079-21204	
3a. Address 34740 Merced Avenue Bakersfield, CA 93308		10. Field and Pool or Exploratory Russel Ranch	
3b. Phone No. (include area code) (661) 679-1700		11. Sec., T.R.M. or Blk and Survey or Area Sec. 23, 11N, 28W, S.B.	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At Surface LAT. 35.0219320, LONG. 119.8307794 At proposed prod. Zone LAT. 35.023336, LONG. 119.8298114		12. County or Parish San Luis Obispo	
14. Distance in miles and direction from nearest town or post office* +/- 25 miles		13. State CA	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) +/- 1000'		17. Spacing Unit dedicated to this well n/a	
16. No. of acres in lease 240		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 20'	
19. Proposed Depth 3850'		20. BLM/BIA Bond No. on file	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL 2053'		22. Approximate date work will start* 09/01/11	
23. Estimate duration 2 weeks		24. Attachments	
The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, must be attached to this form:			
1. Well plat certified by a registered surveyor.		4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).	
2. A Drilling Program		5. Operator certification	
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office).		6. Such other site specific information and/or plans as may be required by the BLM	
25. Signature 		Name (Printed Typed) Joseph Ahlgrim	
Title Drilling Engineer		Date 9/27/11	
Approved by (Signature)		Name (Printed Typed)	
Title		Office	
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to Conduct operations thereon.			
Conditions of approval, if any, are attached.			

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within jurisdiction.

(Continued on page 2)

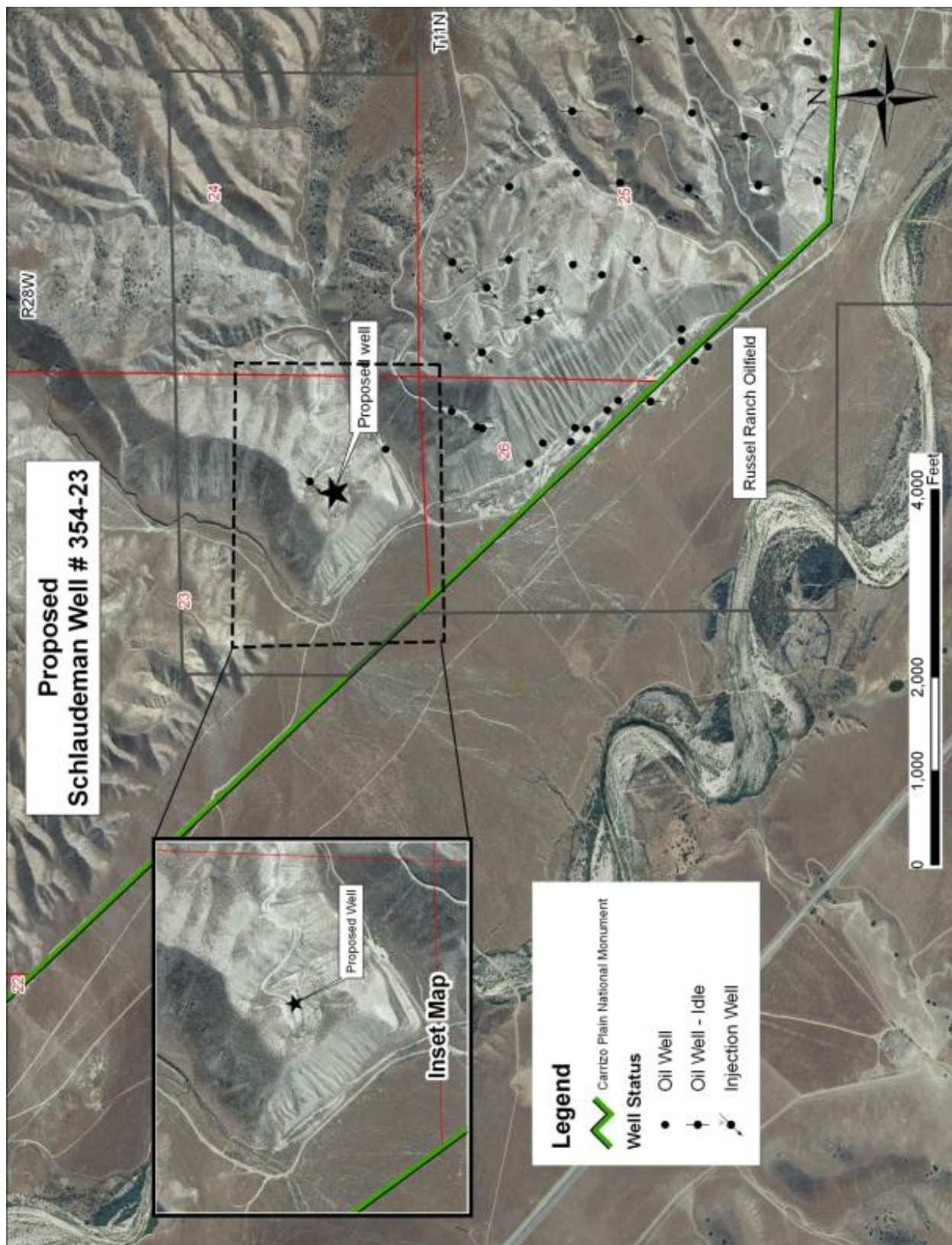
*(Instructions on Page 2)

CONDITIONS OF APPROVAL
ATTACHED

OPERATOR



Location of proposed well.



Map showing location of proposed well.